

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

11 3COM CORP., No C 03-2177 VRW  
12 Plaintiff, ORDER  
13  
14 v  
15 D-LINK SYSTEMS, INC.,  
16 Defendant,  
17 \_\_\_\_\_  
18  
19 REALTEK SEMICONDUCTOR CORP.,  
20 Intervenor.  
21 \_\_\_\_\_/  
22  
23 Plaintiff 3Com Corporation (3Com) brought this suit  
24 alleging that two products of defendant D-Link Systems, Inc (D-  
25 Link) infringe three of 3Com's patents. Doc #1, ¶10. Realtek  
26 Semiconductor Corporation (Realtek) later intervened. Doc #108.  
27 3Com also alleges that Realtek infringes seven 3Com patents. Doc  
28 #120. In the first two years of this case, the undersigned judge

1 and Magistrate Judge Zimmerman dealt with myriad disputes related  
2 to 3Com's seriously troubling conduct. The current dispute relates  
3 to Realtek's motion to strike 3Com's amended preliminary  
4 infringement contentions (PICs), which reference products not  
5 accused in 3Com's original PICs. Magistrate Judge Zimmerman denied  
6 Realtek's motion. Doc #286. Realtek subsequently filed a motion  
7 in this court objecting to Magistrate Judge Zimmerman's ruling.  
8 Doc #295. The court vacated Magistrate Judge Zimmerman's ruling  
9 and ordered 3Com to show cause "why Realtek products not named in  
10 3Com's original preliminary infringement contentions should not be  
11 stricken in light of (1) Pat L R 3-7, (2) 3Com's representations to  
12 the court during the further case management conference held on  
13 June 21, 2005, and (3) the understandings of the parties and their  
14 counsel when drafting the stipulated proposed discovery order, Doc  
15 #269." Doc #306. 3Com has now responded to the order to show  
16 cause and opposes Realtek's motion to strike. Doc #316. For the  
17 reasons that follow, the court DENIES Realtek's motion to strike.  
18

19 I

20 On January 17, 2003, 3Com filed its infringement  
21 complaint against D-Link in the United States District Court for  
22 the District of Delaware. Doc #1. That court transferred the  
23 action to this court pursuant to 28 USC § 1404(a) on April 24,  
24 2003, and the case was assigned to the undersigned. On November  
25 17, 2003, pursuant to Pat L R 3-1, 3Com served its PICs on D-Link.  
26 Doc #157 (Morr Decl) Ex A. The PICs accused two specific D-Link  
27 products, DFE-530TX (530TX) and DFE-550TX (550TX), both a type of  
28 network interface card (NIC), of infringing three 3Com patents,

1 namely United States patent Nos 5,434,872 ('872), 5,732,094 ('094)  
2 and 5,307,459 ('459). Id. Pursuant to Pat L R 3-1(c), 3Com  
3 attached a "[two-column] chart identifying specifically where each  
4 element of each asserted claim is found within each accused product  
5 of D-Link \* \* \*." Id at 2, Appendix A. The first column listed  
6 the specific elements of the asserted claims of 3Com's three  
7 patents, and the second column stated that "testing demonstrated  
8 that the processor included in the D-Link DFE-530TX and DFE-550TX  
9 is operable to \* \* \*," followed by language that is virtually  
10 identical to the language of the claim itself. In due course, D-  
11 Link moved to strike 3Com's PICs, and 3Com opposed. Docs ##156,  
12 205. In addition, 3Com moved to amend its PICs, and D-Link  
13 opposed. Docs ##175, 204.

14 Realtek intervened in the case on June 23, 2004. Doc  
15 #108. In 3Com's answer to Realtek's complaint requesting  
16 declaratory judgment, 3Com accused Realtek of infringing seven of  
17 3Com's patents, including the patents asserted against D-Link (the  
18 '459, '872 and '094 patents) as well as United States patent Nos  
19 6,115,776 ('776), 6,327,625 ('625), 6,526,446 ('446) and 6,570,884  
20 ('884). Docs ##108, 120. 3Com served Realtek with PICs on January  
21 14, 2005 (the "original PICs"). The PICs served on Realtek were  
22 similar to the PICs served on D-Link, but the PICs against Realtek  
23 did not include the assertion that "testing" was conducted. Doc  
24 #296 (Rader Decl) Ex B. Realtek wrote the court to complain that  
25 the original PICs were insufficient. Id, Ex C.

26 On May 5, 2005, the court issued an order (the "May 5  
27 order"). Doc #251. The May 5 order granted D-Link's motion to  
28 strike 3Com's PICs. Id at 14. The court also granted 3Com's

1 motion to amend its PICs in part. Id at 18. 3Com was permitted to  
2 amend its PICs to accuse the 530TX+ product (which happened to  
3 contain a Realtek chipset) and no others. Id. Finally, the court  
4 sanctioned 3Com pursuant to 28 USC § 1927. Id at 20. Realtek,  
5 however, was not substantively involved in the motions related to  
6 the May 5 order. See Docs ##156, 175, 204 and 205. To be sure,  
7 the PICs at issue in the May 5 order were the PICs 3Com served on  
8 D-Link before Realtek intervened. The court summarizes the May 5  
9 order because its analysis is relevant to the discussion below.

10 3Com's PICs against D-Link asserted that 3Com had tested  
11 the 530TX and 550TX when it had not. 3Com's claim that "testing  
12 demonstrated \* \* \*" led D-Link to seek discovery on the alleged  
13 testing. Doc #251 at 3. 3Com attempted to hide its lack of  
14 testing in two ways. First, in one maneuver, 3Com heavily resisted  
15 discovery of the testing information. Id at 3. Pursuant to  
16 Magistrate Judge Zimmerman's order, 3Com eventually produced three  
17 documents that were represented to be the only documents relied  
18 upon in preparing the PICs against D-Link. Id at 5. But the  
19 documents did not relate to either the 530TX or the 550TX. Id at  
20 5-6. Instead, 3Com had tested a D-Link product, the 530TX+ that  
21 contained a Realtek RTL8139 chipset. Id. Second, when faced with  
22 the correct finding that 3Com had not tested either the 530TX or  
23 550TX (in fact, 3Com admitted this to Magistrate Judge Zimmerman),  
24 3Com tried to downplay the differences between the 530TX and the  
25 530TX+. Id at 7. Magistrate Judge Zimmerman rejected the argument  
26 that the 530TX "family of products" was broad enough to capture the  
27 530TX+. Id at 6.

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1           In short, the court struck 3Com's PICs because the only  
2 products accused in the PICs were the 530TX and the 550TX. 3Com,  
3 by accusing these two products, did not accuse the 530TX+. Since  
4 no testing had been conducted on the accused products (i.e., the  
5 530TX and 550TX), all references to "testing demonstrated" were  
6 struck. *Id.* at 11. The court struck the remainder of the PICs  
7 served on D-Link because 3Com did not otherwise conduct a  
8 "reasonable prefiling inquiry." *Id.* at 14.

9           Only when 3Com's improper actions failed did 3Com admit  
10 its mistake and move to amend its PICs to accuse the correct  
11 product. *Id.* at 17. Accordingly, the court next examined 3Com's  
12 motion for leave to amend. The court rejected 3Com's "scrivener's  
13 error" argument because, as a factual matter, that argument  
14 necessitated the conclusion that either 3Com lied in its Rule  
15 30(b)(6) deposition or 3Com's counsel lied in representing what  
16 documents he relied upon in preparing the PICs. *Id.* at 16. Left  
17 with "nothing but 3Com's misrepresentations and shifting  
18 positions," the court weighed this "heavily against a finding of  
19 good cause" to amend. *Id.* at 18. On the other hand, because D-Link  
20 and Realtek were fully aware, as of June 2003, that 3Com had tested  
21 the D-Link 530TX+ (and hence the Realtek RTL8139), neither party  
22 could claim surprise. *Id.* The court also relied on the fact that  
23 the suit was "in its early stages and no Markman hearing date has  
24 been set." *Id.* The court concluded that a compromise was  
25 appropriate: 3Com could amend its PICs to accuse the 530TX+ only,  
26 and the damage period would be truncated. *Id.* Following the May 5  
27 order, 3Com retained new counsel. From this point, the current  
28 dispute takes shape.

22 The issue here is whether 3Com's amended PICs against  
23 Realtek, which accuse Realtek products not identified in the  
24 original PICs, should be stricken.

25

II

27                   Whether 3Com's amended PICs accusing new products should  
28 be stricken depends on two questions: (1) As required by Pat L R

1 3-7, did 3Com have leave to amend its original PICs against  
2 Realtek? (2) If yes, what was the scope of 3Com's leave to amend  
3 given the understanding of the parties and their counsel when  
4 drafting the stipulated proposed discovery order (Doc #269), and  
5 given 3Com's representations to the court at the June 21 case  
6 management conference?

7

8

A

9 The first question can be disposed of easily. Under the  
10 patent local rules, there are only two ways to amend PICs. One is  
11 not applicable here. Pat L R 3-6 (allowing certain amendments  
12 after a claim construction ruling or after documents are produced  
13 under Pat L R 3-4). The other is by leave of court. Pat L R 3-7.  
14 It is clear that both Realtek and D-Link agreed to permit 3Com to  
15 amend its PICs. The court approved this at the June 21 case  
16 management conference. Accordingly, 3Com was permitted by the  
17 court, as well as by Realtek and D-Link, to amend its PICs.

18

19

B

20 This brings the court to the second question concerning  
21 the scope of the amendments permitted. Resolving this question  
22 requires examining three issues: (1) the effect of the May 5 order  
23 on 3Com's ability to amend PICs as to Realtek; (2) whether there  
24 was any agreement, beyond the May 5 order, that limited 3Com's  
25 ability to add products not accused in the original PICs against  
26 Realtek; and (3) whether the court would have found good cause to  
27 grant leave, had 3Com explicitly moved for leave to amend in the  
28 summer of 2005.

2 For the following reasons, the court finds that the May 5  
3 order did not limit 3Com's ability to amend its PICs against  
4 Realtek. First, the May 5 order addressed PICs served on D-Link in  
5 November 2003, before Realtek intervened in this case. Doc #251.  
6 The May 5 order did not address 3Com's PICs served on Realtek in  
7 January 2005. Id. Once Realtek intervened, it did not participate  
8 in the motions that concluded with the May 5 order. Also, some of  
9 D-Link's arguments supporting its motion to strike 3Com's PICs were  
10 predicated on the ability to pursue Realtek, the party whose  
11 product had been tested. Further, none of the D-Link products  
12 excluded by the May 5 order contained a Realtek chipset. The one  
13 D-Link product that 3Com was allowed to add in its amended PICs did  
14 contain a Realtek chipset. Finally, while some of the claims and  
15 patents asserted against D-Link and Realtek overlap, the two sets  
16 of patents are substantially different. All of these reasons lead  
17 the court to conclude that the May 5 order, on its face, did not  
18 limit 3Com amending vis-a-vis Realtek.

19 Second, 3Com's original PICs against Realtek did not  
20 contain the incorrect statement "testing demonstrated." It was  
21 these words, included in 3Com's PICs against D-Link, that were the  
22 subject of so much controversy. The May 5 order was a result of  
23 3Com's troubling conduct around both the testing assertion and its  
24 attempts to conceal the fact that no accused products had been  
25 tested. This course of conduct started before Realtek intervened  
26 in the case and was largely related to the false and misleading  
27 testing assertion.

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1                   Realtek states that the PICs served on Realtek were  
2 nearly identical to those served on D-Link with the exception of  
3 the "testing demonstrated" language, and therefore should be  
4 stricken for the same reason. Doc #295 at 7. Realtek understates  
5 the significance of the distinction. The testing assertion, and  
6 disputes related to it, were the "factors weigh[ing] heavily  
7 against a finding of good cause in allowing 3Com to amend" and the  
8 basis for striking 3Com's PICs. Doc #251 at 18. This false  
9 assertion was not made against Realtek. The court finds that the  
10 testing assertion in the PICs against D-Link, and lack thereof in  
11 the PICs against Realtek, make the two sets of PICs significantly  
12 different. Accordingly, the court rejects Realtek's argument that  
13 the PICs, as to D-Link and Realtek, were subject to being stricken  
14 for the same reasons.

15                   Third, rather than admit its mistake and seek leave to  
16 amend its PICs at the appropriate time, 3Com prolonged its  
17 deception and made blatant misrepresentations to the court  
18 regarding the testing assertion. Id at 17. 3Com was punished for  
19 its behavior. This "pattern of deceptive and inconsistent  
20 positions" led the court to strike 3Com's PICs, allow only limited  
21 amendments to the PICs and impose a significant monetary sanction.  
22 Id at 18. In doling out 3Com's punishment, the court did not  
23 address any matter as between 3Com and Realtek. With respect to  
24 Realtek, 3Com has attempted to fix the mistakes within a reasonable  
25 time after serving its original PICs on Realtek. 3Com's  
26 deficiencies in its original PICs against Realtek are much less  
27 severe because 3Com did not falsely claim testing had been  
28 conducted and did not embark on a course of deception regarding

1 non-existent testing. For these additional reasons, the issues  
2 addressed in the May 5 order differ from the current issues between  
3 3Com and Realtek.

4 In sum, the May 5 order did not limit 3Com's ability to  
5 amend its PICs against Realtek to accuse new products.

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7 2

8 Next the court must determine whether there was an  
9 agreement or understanding between the parties regarding  
10 limitations on 3Com's leave to amend its PICs. Realtek argues that  
11 there was an understanding that 3Com would amend its PICs only to  
12 the extent required to bring the PICs into compliance with the  
13 patent local rules and not to accuse additional Realtek products.  
14 Clearly, 3Com is limited as to D-Link by both the May 5 order and  
15 an explicit agreement. 3Com admits this. Docs ##251, 269, 316 and  
16 317 Ex R. But 3Com denies any such limitation exists as to  
17 Realtek. Doc #316 at 5. There are two possible sources for  
18 finding such an agreement between 3Com and Realtek: (1) the June  
19 10-13 email chain related to the proposed discovery schedule (Doc  
20 #269); and (2) the June 21 case management conference. Not  
21 surprisingly, the parties characterize these two sources  
22 differently.

23 The court takes the email chain up first. Following a  
24 conference on the subject, counsel for 3Com, D-Link and Realtek  
25 finalized the parties' proposed joint discovery schedule by email  
26 between June 10 and June 13. Realtek argues that the emails show  
27 an agreement that 3Com was permitted to amend its PICs only to the  
28 extent required to conform the PICs to Pat L R 3-1, and not to

1 accuse additional products. Doc #295 at 4-5, 7 and 9. The court  
2 disagrees and declines to find an "agreement" from these emails for  
3 the following reasons.

4 The first email was sent by 3Com to D-Link and Realtek on  
5 Friday, June 10, in the afternoon. Doc #317 (Gutman Decl) Ex N.  
6 Realtek quickly responded that it "looks very close" and mentioned  
7 only minor changes regarding dates. Id, Ex O. Shortly thereafter,  
8 3Com amended the dates to conform to Realtek's request. Id, Ex P.  
9 Then, Realtek approved the changes and stated that all that was  
10 needed was confirmation from D-Link. Id, Ex Q. D-Link chimed in  
11 later that evening to clarify that 3Com was not permitted to make  
12 any amendments to the PICs that were inconsistent with the May 5  
13 order. Id, Ex R. D-Link made several proposed revisions to the  
14 joint discovery schedule and proposed order. Id. "This is fine  
15 with Realtek," Realtek responded. Doc #318 (Gutman Decl) Ex S.  
16 3Com's counsel did not agree with the language of the revision on  
17 Friday evening, but on Monday D-Link and 3Com agreed to the phrase,  
18 "[a]ll amendments are subject to the requirements of the Patent  
19 Local Rules and the orders of the Court." Id. Realtek accepted  
20 this change as well. Id.

21 Realtek effectively approved the joint discovery schedule  
22 and proposed order before D-Link raised any questions about the  
23 scope of the allowed amendments. It is clear that D-Link was  
24 clarifying and emphasizing that D-Link was not acquiescing to any  
25 amendment by 3Com that was inconsistent with the May 5 order. The  
26 extent of Realtek's involvement in these clarifications was "That  
27 is fine with Realtek" and "Great." The court finds it difficult to  
28 see an "agreement" as between 3Com and Realtek when Realtek agreed

1 to the language before the question of scope was raised by D-Link,  
2 and when Realtek's contribution to the discussion was so limited.  
3 The email chain, specifically D-Link's proposed redlines (Doc #317  
4 (Gutman Decl) Ex R), does raise the question whether 3Com should  
5 have been extraordinarily cautious and specifically requested leave  
6 to amend to accuse additional products under Pat L R 3-7. The  
7 email chain does not, however, rise to the level of an agreement  
8 between 3Com and Realtek.

9 The second source of disagreement between 3Com and  
10 Realtek involves the June 21 case management conference. Realtek  
11 states that 3Com "expressly" and "in open court" agreed that it  
12 would only amend its PICs to comply with the patent local rules.  
13 Doc #295 at 5. 3Com disputes this "open court" agreement.  
14 Interestingly, Realtek did not submit the transcript as an exhibit  
15 to show this purported express, open court agreement. Doc #296  
16 (Rader Decl) at 3. The court has reviewed the transcript. Doc  
17 #317 (Gutman Decl) Ex B. Again, the statements made at the case  
18 management conference hardly support an agreement between 3Com and  
19 Realtek. At best the transcript indicates a wash. Mr Gutman,  
20 3Com's counsel, stated that 3Com would not only amend the PICs  
21 against D-Link in accordance with the May 5 order, but 3Com would  
22 be amending its PICs against Realtek. Id at 4.

23 It would not have been possible, however, at the time of  
24 the case management conference for 3Com to know that it would  
25 accuse new products in its amended PICs because 3Com's new counsel  
26 had not yet conducted due diligence. 3Com admits this. Doc #316  
27 at 4. This again raises the question of whether 3Com should have  
28 been extraordinarily cautious and should have formally requested

1 leave to amend when it discovered that new products were  
2 potentially infringing. Even so, 3Com's representations at the  
3 case management conference are not enough to show some kind of  
4 "express" agreement between 3Com and Realtek that 3Com would not  
5 accuse new products.

6 Also, the court notes that its conclusion that the email  
7 chain and the case management conference did not evidence some type  
8 of agreement is bolstered by Realtek's letters to 3Com sent after  
9 Realtek was served with the amended PICs, Realtek's November 15  
10 letter to the court and Realtek's arguments to Magistrate Judge  
11 Zimmerman. Realtek's letter of October 5 does not object to the  
12 addition of new accused products, rather it complains that the  
13 substance of the PICs does not satisfy Pat L R 3-1. Doc #317  
14 (Gutman Decl) Ex I. Further, the letter states nothing about the  
15 May 5 order or any agreement. Id. Realtek's letter of October 20  
16 is similar in that there is no objection to additional accused  
17 products, no mention of the effect of the May 5 order as to Realtek  
18 and no allegation of any breached agreement. Id, Ex J. The first  
19 objection to the addition of new accused products came in Realtek's  
20 October 31 letter to 3Com. Id, Ex K. The objection was based on  
21 the May 5 order. Id. But still, no reference was made to any  
22 agreement. The same is true of Realtek's November 15 letter to the  
23 court. Id, Ex L.

24 The court does not hold that Realtek waived its  
25 objections to the addition of new products by failing to object or  
26 make arguments related to the May 5 order and any "agreement." The  
27 court, however, notes that the lack of objection and argument  
28 reinforces the court's conclusion that there was no such agreement

1 and Realtek did not understand the May 5 order as binding on 3Com  
2 at the time of the emails and case management conference.  
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4 3

5 While, as discussed above, the May 5 order did not limit  
6 3Com's ability to amend its PICs against Realtek and the court does  
7 not find any "agreement" that 3Com would not accuse additional  
8 Realtek products, the court does not agree fully with 3Com either.  
9 That is, it is not readily apparent that Realtek opened itself up  
10 unconditionally to amendments. 3Com states that, at the June 21  
11 case management conference, "counsel for 3Com did not know which  
12 Realtek products would be accused in the Amended PICs." Doc #316  
13 at 4. Accordingly, it is not certain that Realtek agreed to grant  
14 leave with no conditions attached. Further, as noted above, there  
15 is a question whether 3Com should have been extraordinarily  
16 cautious regarding the scope of its leave to amend - especially  
17 given the conduct of prior counsel. For completeness, the court  
18 examines whether 3Com has "good cause" to amend as required by Pat  
19 L R 3-7. For the reasons that follow, the court finds that 3Com  
20 has good cause.

21 First, the timing of the amendments supports finding good  
22 cause. It is worth noting that Pat L R 3-1 is titled "Disclosure  
23 of Asserted Claims and Preliminary Infringement Contentions."  
24 "While the Court recognizes that the Patent Local Rules are  
25 intended to force patent owners to finalize their contentions  
early, preliminary infringement contentions are still preliminary."  
27 General Atomics v Axis-Shield ASA, 2006 WL 2329464, 2 (ND Cal  
28 2006). Good cause is clearly a flexible standard. In the context

1 of the patent local rules, setting too high a bar for good cause  
2 would have the consequence of eliminating the distinction between  
3 preliminary contentions and final contentions. Here, the  
4 amendments came before any motions were made regarding the PICs,  
5 before a Markman hearing and before the close of discovery. It is  
6 to be expected that a patent holder may find other product  
7 designations that infringe as discovery progresses.

8 Second, the additional accused products appear to be  
9 substantially similar to the original accused products. As the  
10 briefing on this subject is limited, the court reaches this  
11 conclusion assuming, but without determining whether, the new  
12 products accused in the amended PICs are merely more detailed  
13 listings of the originally accused products with substantially  
14 similar functionality. 3Com has not added any patents or any  
15 claims to its amended PICs. This is consistent with discovering  
16 new product number designations of products with substantially  
17 similar functionality.

18 Further, 3Com explicitly stated that the products listed  
19 in the original PICs were those "currently known" and would later  
20 amend to include additional "chip designations." Doc #317 (Gutman  
21 Decl) Ex F. While "a party cannot unilaterally amend the Patent  
22 Local Rules" by inserting boilerplate language in its PICs, it is  
23 consistent with the rules to allow amended PICs to accuse products  
24 which represent a more detailed listing of products initially  
25 known. Berger v Rossignol Ski Co, Inc, 2006 WL 1095914, 4 (ND Cal  
26 2006). This is especially true when the PICs in question are  
27 directed at an intervening party and when the intervention occurs  
28 in the midst of a lengthy dispute. Although the lengthy dispute

1 between 3Com and D-Link was caused by 3Com's improper conduct, the  
2 court does not believe 3Com is benefitting from its wrongful  
3 conduct, as alleged by Realtek.

4           Third, there is no undue prejudice to Realtek. Absence  
5 of a product's name or number is not a covenant not to sue for  
6 infringement. This is especially true if a defendant is put on  
7 notice by the naming of several products within a line of products  
8 possessing similar functionality. Realtek has not presented any  
9 evidence that it changed manufacture, sales or distribution with  
10 respect to the products originally accused, so there is no reason  
11 to infer that Realtek relied on 3Com's original PICs for business  
12 decisions in the nine month period between January and September of  
13 2005. The fact that certain, more detailed product numbers were  
14 not included in the original PICs would not constitute a defense in  
15 a separate infringement action.

16           The court also notes that judicial economy supports  
17 allowing the amendment at this stage of the litigation. Finally,  
18 Realtek is getting a second shot at its preliminary invalidity  
19 contentions. Realtek has taken this opportunity to add invalidity  
20 arguments and prior art references.

21           Accordingly, the court finds that 3Com had and - due to  
22 the parties' misunderstanding, now has - good cause to amend its  
23 PICs.

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1 III  
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For the reasons discussed above, the court DENIES  
Realtek's motion to strike.

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6 IT IS SO ORDERED.

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9 VAUGHN R WALKER

10 United States District Chief Judge